Informal Credit Transactions of Micro-Credit Borrowers in Rural Bangladesh[1]

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1 Introduction

The rapid and large-scale growth of micro-finance institutions (MFIs) in Bangladesh would suggest that they have emerged as a credible alternative to the informal sector, and that MFI-members have reduced their dependence on the usurious money-lender.[2] Is this observation consistent with the empirical evidence? The present research examines whether households' increased access to MFI credit has substituted for higher-cost informal credit sources.

It is traditionally argued[3] that providing targeted production credit to the rural poor through micro-credit schemes is likely to initiate a 'virtuous cycle' of increased household income through increased saving and investment. However, it is unlikely that MFI credit alone will kick-start the 'virtuous cycle' of perpetual growth across all households. Successful operation of this cycle depends upon the household's human and physical capital resource (such as the size and age structure of the household, its wealth, and the market imperfections it faces), the MFI lending technology, economic opportunities within and around the village, and the macro-economic and policy environment. Each factor, alone or in combination, affects a household's allocation of credit to specific uses.

For resource-endowed households, increased credit access may have a positive effect on their risk-bearing capacity, enhance fresh investments and encourage the adoption of new, more risky

[1] An earlier version of this article was presented as a paper at the PRUS Workshop on 'Recent Research on Micro-finance: Implications for Policy' in February 1998, and at seminars at the World Bank, USAID and University of East Anglia. Useful comments from Monique Cohen, Michael Lipton, Richard Rosenberg, Manohar Sharma and Jacob Yaron, and seminar participants are gratefully acknowledged. The usual disclaimers apply.

[2] However, the old consensus in the analytical literature on rural credit, of the conservative peasant/wicked moneylender variety, has now been replaced with a perception that interest rates are much less extortionate, and moneylenders, rather than being wicked and exploitative, provide important and difficult services of consumption smoothing, human-capital formation, off-farm income generation and insurance.

[3] Most commonly in Grameen Bank's documents which set out the *raison d'être* for micro-credit.

technologies to expand their enterprises. It may also alter the structure of their assets and liabilities and decrease the level of credit obtained at high cost from informal sources. On the other hand, poorer households may often face consumption crises for food and other basic non-food items, leading to steep demands for credit to increase current consumption at the expense of future consumption (Zeller *et al.* 1997).

MFI lending technology is insensitive to variations in household conditions. Most MFIs put all households on a treadmill of continuously increasing loan size[4] and insist on a fixed repayment schedule. While an easily accessible loan may seem attractive to a cash-starved poor household, its resource profile and the wider economic and policy environment may impose limits on the marginal return to capital. Credit escalation under these circumstances increases the likelihood of cross-financing to sustain the MFI's line of credit.[5] Some degree of cross-financing is inevitable because of seasonal fluctuations in income and when coping with shocks. Often informal loans finance MFI loans. But cross-financing can have a deleterious effect on the household economy in the long-run if households continuously manage loan repayment without having the ability to repay.

Through a detailed study of informal credit transactions in a village in northern Bangladesh, the research empirically establishes that, in spite of increased outreach, MFI credit has been unable to substitute for the informal sector. Informal lenders are preferred for their local and timely access, speedy disbursement and flexible repayment. MFI-member households borrow as much from informal sources as non-members of comparable groups. Target-group households, in particular, resort to extensive cross-financing of their loans: they use 89 per cent of informal loans and more than 78 per cent of MFI loans for current consumption and debt-servicing.[6] The non-target group households, on the other hand, use 60 per cent of informal loans and 61 per cent of MFI loans for these two purposes. The main messages emerging from the research are that MFIs should eschew simplistic assumptions that increasing loan size ensures increased benefit across all household categories, or that households must be deriving some benefit if loan repayment rates are high. It is suggested that MFI lending technology be redesigned to be sensitive to household initial conditions. For instance, elements of formal sector lending should be incorporated for borrowers with large credit needs, greater risk-bearing capacity, an ability to provide collateral, and the skills to invest in productive enterprises. For them (i) the group contract and the joint liability system can be dispensed with, (ii) different repayment schedules devised, and (iii) loan applications screened after detailed project appraisals. On the other hand, MFIs should mimic the informal sector when lending to poorer households by accounting for seasonality and providing repayment flexibility and a ceiling on the total loan size per household. Only then can MFIs seriously compete with the informal lenders.

2 Structure

The rest of the article is divided into 4 sections. Section 3 describes briefly the village under study. Section 4 contains a detailed discussion on credit transactions in the study village to provide a basis for the analysis, in section 5, of informal credit borrowings of MFI-member households. Section 6 summarises the main conclusions and provides suggestions for improved policy design.

3 Study Village

Biprabari village in Madhupur Thana, in northern Bangladesh, was purposively selected for the study to build upon earlier rounds of field work conducted since 1995 by one author in Biprabari and three adjoining villages in Madhupur. Biprabari is located on the north side of the busy Mymensingh –Madhupur Road near Kakraid bazaar. According to our census (1997), the village has 92 households

[4] Wiig (1997) refers to this process as capital deepening which arises when additional credit is made available to current borrowers from existing institutions.

[5] Hossain (1984) and Osmani (1989) had anticipated the limits to the rate of return of capital, and therefore of expansion of self-employment, through credit escalation.

[6] Households with less than 0.5 acre of landownership constitute the target group households. Not all, however, are MFI members.

and 406 individuals. There are no non-Muslim households.

Agriculture and wage labour are the main economic activities. The latter consists of farm labour in the village as well as non-farm labour mainly in the nearby town of Madhupur.[7] Only 21 per cent of household heads are self-employed in carpentry, petty shopkeeping, fuelwood selling, fishing, and moneylending, and 8 per cent have salaried employment outside the village as teachers, truck drivers or shop assistants.

Agriculture is organised around the *aman* (harvested in November–December) and *boro* (harvested in March–April) cropping seasons. Paddy is the main food crop sown widely in both seasons. The average landholding per household is 73 decimals. The landholding pattern is considerably skewed as the top 25 per cent households own 83 per cent of total land in the village. Nearly one-third of all households do not own any land but the Gini coefficient is 0.375, implying that most landowning households own relatively small pieces of land. The average annual per capita income (1997) is Tk. 7,805.

The average household size is 4.4. Most households are nuclear units consisting of the household head (almost always the man), his wife and their children. Occasionally, the married son and his family or a widowed mother may live with the household head. A common practice is for sons and brothers to separate after marriage and set up their own house within the same *bari*. A *bari* is a cluster of houses where people of the same kinship group live. Households within a *bari* form a mutual insurance network *par excellence*. Households are also members of a *samaj* which is a wider network to regulate social order through its leader and the community court (or *shaalish*).[9]

A striking feature of the rural economy is the seasonal (and uncertain) nature of the farmers' cashflow. The seasons exert a strong influence on the demand for credit because there is a considerable time lag between when expenditures are incurred on farm inputs, such as fertilisers, and when the crop is harvested and sold. This is reflected in market transactions: not only farm inputs but also food, clothing and sometimes even health services are purchased on credit to be paid off at harvest. Seasonal demands have an important bearing on the farmer's credit needs in the area.

4 Micro-Credit Transactions in Biprabari

Madhupur has a very strong presence of member-based MFIs providing credit. The schemes are targeted at the functionally landless rural poor, issue mostly small uncollateralised one-year term loans to individuals belonging to jointly liable peer groups, and use on-site loan disbursement and weekly collection methods by forming village organisations. Members are also required to save and deposit a certain percentage of the loan amount, which is an important source of revolving fund for the lender and an emergency fund for the borrowers.[10]

Beside Grameen Bank, other well-known MFIs like ASA, BRAC, Buro-Tangail, Caritas, Proshika and SDS service the area.[11] Not all MFIs provide credit; we have considered only those MFIs which do. Further, of the 54 households that are members, 5 households have not taken credit from the MFI; so only 49 member households are considered for analysis.

Sixty-four individuals from 49 households are MFI members. More than half are Grameen Bank members (Table 1). On average, a GB member has been a member for more than 10 years. Other MFIs are recent entrants as their average membership period ranges from 1–4 years. All MFIs except SDS have a

[7] Non-farm activities include rickshaw pulling and work on brick kilns.

[8] Decimal is a common unit of land measurement in the area. 100 decimals = 1 acre.

[9] For Hindus this usually corresponds to their caste group. Muslims, who come from a certain area, recognise a common leader or a common mosque (White 1992).

[10] All MFIs have a savings component but differ in terms of members' access to savings.

[11] All except Grameen Bank are NGOs. Contrary to popular view, GB is is not an NGO. It started as a pilot project of the Bangladesh Bank and was converted into a bank under a special charter in 1983.

land-based targeting criterion where the target group is defined as households owning not more than 50 decimals of land.[12] In practice, there is considerable mis-targeting. Forty per cent of MFI member households lie outside the target group. This is also reflected in the high coefficients of variation of land distribution of members.

Data on the extent of borrowings of MFI member households is provided in Table 2. MFIs have disbursed a total sum of Tk. 455,980. GB loan disbursement comprises more than 75 per cent of this amount (to 50 per cent of the total members). GB members have a large portfolio of loans which include general, seasonal, housing, tubewell and group fund loans. On average, there are 2.3 loans per GB member. This suggests a capital deepening[14] process by which current borrowers receive additional credit (Wiig 1997). All except housing loans are of one-year maturity. Housing loans can be repaid over 8–10 years with a weekly instalment of Tk. 20–80. Thirteen GB members have taken housing loans of an average size of Tk. 17,538. General and seasonal loans are the most common.

The average outstanding MFI loan size per household is about Tk. 9,300. This figure is biased upwards because of the large volume of credit disbursed by Grameen Bank.[15] About 80 per cent of MFI-member households borrow from one source. But 60 per cent of those that borrow from more than one source are GB members. The weekly instalment size of a GB-member household is Tk. 293 per week. Thus, GB loans increase the household's average loan size and consequently its debt burden.

Almost all (87 per cent) households borrow from informal sources. Consumption smoothing and loan repayment are the main reasons for informal borrowing across all household categories. At the same time, more than 60 per cent of MFI loans are also used for these two purposes. What is the inter-relationship between the informal and MFI-credit markets? Are loans from one sector financed by borrowing from the other? The central purpose of the article is to examine whether MFI membership has affected the household's recourse to informal loans. What is the extent and nature of informal borrowings of MFI-member households? Are there any inter-group variations among MFI-member households? These issues are addressed in the next section.

5 Informal Credit Transactions of MFI-Member Households

This section will analyse critically the informal credit transactions of MFI-member households to examine whether they differ from those of non-member households of comparable groups. Because of mis-targeting, the 49 MFI-member households have been categorised between target group (TG) and non-target group (NTG) households. There are 29 TG and 20 NTG households. There are significant differences between these two categories. The average landownership of category NTG is more than 14 times that of category TG households.[16] Landownership is an important factor affecting credit behaviour, and so it is important to examine these two groups separately despite their common MFI-membership. Table 3 shows the total and average value of informal borrowing for the two household categories.

For what purpose do households borrow from the informal market?

Households borrow most often from informal sources for food consumption and loan repayment (Table 4). Target group MFI-member households use 81 per cent of their informal loans for financing MFI and other informal loans and consumption. While nearly one-third of NTG households' informal loans are used for household food

[12] This is a household-based entry point targeting criterion.

[13] This issue has been discussed in some detail in Matin (1997b) and Zaman (1996).

[14] Here capital deepening is based on proxies like membership length and on-time repayment of previous loans. It does not necessarily have a relationship with capital building, which would arise if the successive loans led to real (physical or human) capital building.

[15] The average outstanding borrowing per Grameen Bank household is about Tk. 14,000 and is significantly higher than the average of other MFI-member households (less than Tk. 5000).

[16] Forty-five per cent of TG households are, however, landless. The average landownership per landowning household of NTG is 8 times that of TG households.

consumption, 20 per cent of the amount is also used for meeting other costs such as litigation and international migration.

While nearly half (45 per cent) of the total amount borrowed informally by target group MFI households is used for cross-financing, non-target group MFI households, divert only 15 per cent of the informal loans for this purpose, thereby reflecting a big schism in loan-use patterns between the two categories.

Why do target-group MFI-member (category B) households need to finance MFI loans by borrowing from informal sources?

and

If these households finance MFI loans by borrowing from the informal market, what do they use MFI loans for?

Target group households, by definition, own less than 50 decimals of land. Their average operational landholding is also low (about 17 decimals). Wage labour (agricultural and non-farm) is the main income source for nearly 60 per cent of heads of households (Table 5). Availability of agricultural labour is seasonally determined and, as indicated earlier, is available annually for only 230 days in and around Biprabari. Non-farm labour comprises primarily of rickshaw pulling. While there are no barriers to entry, rickshaw pulling is characterised by low returns[17] and high seasonal fluctuations. Thus, these households are unable to manage high levels of weekly repayment from regular income or equity.

Ostensibly, MFI loans are meant for investing in micro-enterprises to initiate the 'virtuous cycle' of growth. But, as shown in Table 6, more than 60 per cent of the total amount borrowed from MFIs by the target group households is diverted for consumption smoothing (28 per cent) and loan repayment purposes (35 per cent). Most of the latter are informal loans, but some could also be on-going MFI loans as a result of multiple loans issued by the Grameen Bank. That is, a large proportion of MFI loans are used for internal and external cross-financing i.e. away from investment in directly productive enterprises.

Is there any evidence of inter-group variation of MFI loan use?

Use of MFI loan for cross-financing by target group households is significantly higher (at 5 per cent) than that by the non-target group (Table 6). The latter, however, use a significantly high proportion (at 1 per cent) of the MFI loan for purchase of agriculture inputs and other agriculture-related purposes. This is to be expected given the significant differences in land ownership between the two groups.

The extent of cross-financing is likely to be strongly associated with capital deepening. The latter arises when current borrowers receive additional credit from existing institutions and leads to an increase in the size of weekly instalments that a borrowing household needs to manage. MFI households are divided into GB and non-GB households. GB membership is good proxy for capital deepening, since GB member households have witnessed rapid increase in the size and portfolio of loans. The results establish that older (those with more than 5 years' membership) and GB members are under a double debt burden. They borrow significant amounts from informal sources to repay MFI loans and use significant proportions of MFI loans to repay their informal debts (Tables 7 and 8).

What are the benefits of cross-financing? How do households perceive flow of benefits from what seems to be a zero-sum game?

It has been observed that more than 60 per cent of MFI loans are used primarily for consumption smoothing and repayment of outstanding debts. Of the 22 loans which were primarily used for loan repayment, 18 were GB loans. A series of focus group discussions with different categories of borrowers was conducted to get a sense of borrowers' perceptions about the impact on their informal borrowings of MFI-membership. A summary of the discussion with women GB members is provided in the accompanying box. The borrowers' discussions revealed that most of the informal loans repaid with

[17] On average, a rickshaw puller earns more than the daily agricultural wage. But net returns are low because of maintenance costs of the rickshaw and food cost. A farm labourer usually takes food at home, but the rickshaw puller often has to eat in the market, which erodes his gross earnings.

Summary of Discussion with Women GB Members

Women borrowers unanimously agreed that before becoming GB members, they could not and would not (*deyoy nai ... anio nai*) borrow from informal sources, especially on interest. No one would lend to them as they were not seen as creditworthy. They were severely credit-constrained and made do with whatever they earned. But participants also stated that they did not have the habit (*obhbhash*) of borrowing.

Since becoming Grameen members, the women perceived an increase in both their need and the ability to borrow from informal sources. The need to borrow is directly linked to increasing loan sizes. When the size of loans disbursed by Grameen was smaller, the need to borrow from informal sources was mainly at times of seasonal slack periods. The sums involved were also low. However, with larger and multiple loans, the need to borrow from informal sources to manage weekly instalments has become common for most borrowers. As a participant said, 'Beshi Takar Beshi Jala, Kom Takar Kom Jala' (More trouble with more money and less trouble with less).

The ability to borrow from informal lenders is coterminous with their having access to an almost assured line of (increasing amounts of) credit from Grameen. The borrowers pointed out that at times the lenders would provide additional sums to clear their Grameen dues so that the borrower could get a new Grameen loan: almost all of which would go in repaying the informal lender. Lenders would keep track of Grameen loan disbursements and even follow the borrower to the Bank on the day of the disbursement.

Grameen loans were taken to repay earlier Grameen loans. It appears that during the GB's 'generous loan regime'[18], members borrowed from informal sources to maintain good repayment performance in order to borrow later still larger amounts from GB.

While MFI membership may have made the poor creditworthy, the real benefit of being able to borrow from two markets seems to lie in their ability to consistently smooth consumption. As one GB member remarked wryly, 'We were always in debt, and will always remain so. At least now we can eat three times a day'. That is, improved access to micro-credit seems to have improved food consumption and nutritional status.[19]

6 Conclusion and Policy Implications

The article has argued that households vary in their human and physical capital resource, and their ability to cope with risk. Credit made available by the MFI is not used for directly productive purposes by all households.[20] Resource-poor households tend to use additional credit for smoothing consumption. Such credit has a low marginal return to capital, and adversely affects the household's ability to maintain regular weekly repayments. Credit escalation under these circumstances, because of a continuously increasing loan size, increases the likelihood of cross-financing from informal sources to sustain the MFI's line of credit.

Cross-finance of an informal loan with another to cope with seasonal income fluctuations and other shocks is common. Often the household also borrows from the informal sector to repay the MFI loan when facing a short-term liquidity crisis. Our results suggest that non-target group MFI-member households belong to this category. On average, these households own 143 decimals of land and 75 per cent of household heads are primarily occupied in self-cultivation (Table 5). They use 18 per cent of the total value of the MFI loan for financing

[18] The average loan size per member increased from Tk. 4,670 in 1991 to Tk. 10,842 by 1994. This was mostly due to the introduction of seasonal loans in 1992.

[19] See also Zeller *et al.* (1997) for empirical evidence from Madagascar and Cameroon.

[20] It is argued that household productivity depends not only on conventional productive inputs and durables, but also on skills, education, and nutritional and health status of its family labour (Zeller *et al.*, 1997: 20–21), and therefore, the use of credit for maintaining and enhancing human capital can be highly productive. Be that as it may, the present research confines itself to the direct effect of credit in increasing the household's productive capital.

informal loans (Table 6) and 15 per cent of the total value of informal loans for financing MFI loans. That is, the level of cross-financing is low as these households generally have an assured income source.

But cross-financing can have a deleterious effect on the household economy in the long run if resource-poor (i.e. target group MFI-member) households continuously manage loan repayment without having the ability to repay. There is no in-built mechanism[21] in the present state of the lending technology that distinguishes between borrowers who continuously cross-finance to manage repayment and those borrowing across sectors to manage short-term liquidity problems. The target group MFI-member households own less than 10 decimals on average, and nearly 60 per cent of household heads depend primarily on seasonally fluctuating wage labour (Table 5). They are more likely to need to regularly finance their MFI loans with informal loans. As evident, they use 45 per cent of their informal borrowings for financing MFI loans (Table 4), and 35 per cent of the MFI loan value for financing informal loans (Table 6). Differences in the extent of use of informal and MFI loans between target group and non-target group MFI-member households is depicted in Figures 1 and 2.

High levels of cross-financing deplete the capital of the loan, and reduce the value of the new loan that is used to repay or service the old. The process turns into a 'vicious cycle' as smaller investments into directly productive enterprises yield less returns, thus requiring even higher loans the next time to repay the original loan. It erodes the profitability of any enterprise, especially if a high interest loan is taken from the informal market.

Cross-financing can be sustained when loan sizes remain small. But most MFIs put borrowers on a treadmill of continuously increasing loan size so that borrowers who manage to repay a small loan are eligible to receive a larger loan the next time. There is little screening of loan applications by MFIs and members end up borrowing more than they can repay. Poor screening seems to be a direct consequence of credit escalation. The number of members at a GB centre for instance, has increased from 20 to 35–40, and each borrower in Biprabari on average has 1.83 loans (excluding the housing loans) of average size Tk. 6,594 and maturing at different times. While overall the growth in the number of branches and centres has declined between 1986 and 1994, the expansion in the number of groups has been stable. The total (cumulative) disbursement expanded about 32-fold between 1986 and 1993. This rapid expansion was fuelled by the growth of average annual lending per branch from Tk. 1.86 million in 1986 to Tk. 14.59 million in 1994 (Khandker *et al.* 1995), and is likely to have greatly reduced the monitoring capability of the field worker. Repayment of the previous loan is the only criterion for assessing both the ability and the willingness of the borrower to repay. This could lead to delinquency.

An easily accessible loan is always attractive to a cash-starved and indebted poor household, its resource profile and the wider economic and policy environment impose limits on the marginal return to capital. Over an extended period, the returns on activities financed by MFIs are also likely to decrease, given demand constraints, as more and more people join the programme and undertake similar activities (Khandker *et al.* 1995). Credit escalation, accompanied by a fixed repayment schedule, extracts more capital than the household's earnings, and can lead to the inevitable collapse of the system.[22]

It clearly emerges that MFIs should eschew simplistic assumptions that increasing loan size ensures increased benefit across all household categories, or that households must be deriving some benefit if loan repayment rates are high. Increasing loan sizes puts additional debt burden on MFI-member households. The burden is particularly heavy for target group households whose access to economic opportunities within and outside the village is constrained by its limited human capital resource and the macro-economic environment. Often large loan

[21] In a group contract, members are expected to screen each other's loan applications. This does not happen in practice since members screen the person and not the project. If a member is reliable and trustworthy, she can borrow unusually large amounts.

[22] Collapse of the joint liability contract in Madhupur has been analysed by Matin (1997a).

sizes compel households to borrow from informal sources to service the MFI-loans.[23] This is corroborated by another recent study of the Grameen Bank (Rahman 1997: 2)

> Loan disbursement increased more than three-fold between 1991 and 1994. The pressure from fellow members and coercion from bank workers for regular weekly repayment burdens many women to accept different types of loans from Grameen Bank and informal sources in order to maintain the regularities of weekly repayment of instalments on previous loans. Such lending process itself leads to a spiraling debt cycle in which many members in the study area feel they are trapped.

It is also evident that there is no direct relationship between high repayment rates and household welfare. A high repayment rate of MFI loans may be maintained through cross-financing from the informal sector.

7 What is to be Done?

MFIs have provided credit access, by designing a standard product, to a large number of borrowers who would not otherwise be served. However, there is an urgent need to redesign the MFI lending technology to make it sensitive to household initial conditions. An inflexible technology is unable to meet the needs of borrowers at opposite ends of the economic scale.

For instance, MFIs should consider individual-liability lending to long-time borrowers with good repayment record and who now borrow large sums. Many of them are likely to belong to the non-target group with large credit needs, greater risk-bearing capacity, an ability to provide collateral, and the necessary entrepreneurial skills to invest in productive enterprises. For them (i) the group contract and the joint liability system can be dispensed with, (ii) different repayment schedules devised, and (iii) loan applications screened after detailed project appraisals. Households belonging to this category have access to physical collateral (most often land) and do not need to be bound by the terms of social collateral in the form of groups. They use MFI loans for investment in productive enterprises with long gestation periods and so may prefer a monthly (or sometimes longer) repayment schedule. Further, loan applications of larger borrowers should be screened carefully to assess the economic viability of the enterprise. While these measures are likely to reduce the overhead costs of membership mobilisation, borrowers' transaction costs and the administrative costs of lending,[24] more importantly, they would create the right incentives for larger and regular borrowers to maintain high repayment rates.

On the other hand, MFIs should mimic the informal sector when lending to poorer target group households by allowing for seasonality and providing repayment flexibility and a ceiling on total loan size per household. These households borrow small amounts, often in kind and are under severe dietary stress during the agricultural lean seasons. It is during these slack periods that they often run into severe cashflow problems when, with little regular incomes, they have to maintain the inflexible weekly repayment of MFI loans. MFI membership enables them to borrow from the informal sector, but at the same time, traps them into a regular process of cross-financing that can ultimately prevent them from initiating the 'virtuous cycle' of growth.

MFIs can seriously compete with informal lenders and provide a real choice to MFI-member households only by designing a differentiated and diverse lending technology sensitive to household resource endowments.

[23] The average instalment size of target group MFI households is Tk. 209 against Tk. 195 of non-target group MFI households. In spite of considerable differences in household resources, the difference in average weekly repayment is not significant.

[24] These outcomes were also suggested by Khandker *et al.* (1995) but the authors based their observations on branch-level data and did not address the impact on repayment incentives

Table 1: Economic and Demographic Characteristics of MFI Member Households

MFI	Number of member households[1]	Average land ownership (decimals)	Proportion of households within the target group[2]	Average annual per capita income (Tk.)	Average household size (AME)
ASA	13	60.0 (2.80)[3]	0.80	5,896 (0.67)	3.4 (0.25)
Buro	4	62.8 (1.04)	0.50	7,532 (0.32)	3.3 (0.19)
Caritas	2	39.0 (1.89)	0.50	8,365 (0.75)	3.3 (0.42)
GB	27	49.7 (1.43)	0.59	6,854 (0.64)	4.3 (0.35)
SDS	3	164.8 (0.37)	n.a.[4]	15,086 (0.42)	3.7 (0.40)
Total	49				

Notes:
1 For households with members belonging to more than one MFI, the date of first joining has been used to determine household membership.
2 Households with less than 50 decimals of land are included within the target group
3 Figures in parentheses are coefficients of variation.
4 SDS is a savings-based organisation with no land-based restrictions on membership.

Table 2: MFI Borrowings of MFI-Member Households

MFI	Number of member households[1]	Number of members	Number of loans	Total borrowings (Tk.)	Average loan size (Tk.)	Average loan size per household (Tk.)	Average weekly instalment (Tk.)[2]
ASA	13	13	13	64,000	4,923	4,923 0.73)	103 (0.70)
Buro	4	5	5	30,980	6,196	7,745 (0.35)	160 (0.34)
Caritas	2	3	3	4,500	1,500	2,250 (0.78)	50 (0.71)
GB	27	29	53	349,500	6,594	12,944 (0.41)	293 (0.39)
SDS	3	3	3	7,000	2,333	2,333 (0.25)	52 (0.22)
Total	49	53	87	455,980	5,241	9,306	

Notes:
1 For households with members belonging to more than one MFI, the date of first joining has been used to determine household membership.
2 Weekly instalment = $\frac{\text{Volume of loans excluding housing loans}}{50}$ + Tk.2 + Tk.20
where: Tk.2 is the compulsory savings and Tk.20 the approximate weekly instalment for the housing loan, if taken
3 Figures in parentheses are coefficients of variation.

Table 3: Informal Credit Transactions by Household Category

	Household category			
Variable	**TG non-MFI**	**TG MFI**	**NTG MFI**	**NTG non-MFI**
Total number of households (N)	27	29	20	16
Number of households borrowing (in cash or kind)	22	27	19	12
Total borrowing (Tk.)				
Mean	2,917	6,133	8,121	7,521
Median	1,685	2,255	5,630	4,805
Number of times borrowed in last 12 months	3.95 (0.57)[1]	5.29 (0.58)	4.42 (0.83)	2.75 (0.49)
Frequency of borrowing – once every:	13 weeks[2]	10 weeks	12 weeks	19 weeks
Average loan size per household (Tk.)	133	227	427	627

Notes: 1 Figures in parentheses are coefficients of variation (CV).
2 These figures are approximate back-of-the envelope calculations.

Table 4: Informal Loan Use by Household Category

		Proportion of informal loan use (by value)					
HH category	**Number of households reporting transaction**	**Household food consumption**	**Agriculture**	**Business**	**Health and social**	**MFI loan repayment**	**Others[1]**
TG non-MFI	22	0.42	0.25	0.08	0.15	0.03[2]	0.07
TG MFI	27	0.36	0.08	0.02	0.08	0.45	0.01
NTG MFI	19	0.32	0.12	0.08	0.13	0.15	0.20
NTG non-MFI	12	0.28	0.26	0.08	0.15	0	0.23

Notes: 1 'Other' loan uses include legal fees, costs of international migration and house repair.
2 This is for repayment of other informal loans as households in this category are not MFI members.

Table 5: Primary Occupation of Household Head of different Household Categories

	Household category			
Primary occupation	**TG non-MFI**	**TG MFI**	**NTG MFI**	**NTG non-MFI**
Self-cultivation	3 (11)[1]	5 (17)	15 (75)	12 (75)
Agri. labour	6 (22)	4 (14)	0	0
Non-agri. labour	5 (19)	13 (45)	0	2 (13)
Self-employed	9 (33)	6 (21)	3 (15)	1 (6)
Salaried	4 (15)	1 (3)	2 (10)	1 (6)
Total Households	27 (100)	29 (100)	20 (100)	16 (100)

Note: 1 Figures in parentheses are percentage of total households in that category.

Table 6: MFI Loan Use by MFI Membership Category

		Proportion of MFI loan use (by value)					
MFI membership category	Number of households reporting transaction	Household food consumption	Agriculture	Business	Health and social	Loan repayment	Others
Target group	23	0.28	0.02	0.18	0.15	0.35	0.02
Non-target group	23	0.15	0.14	0.16	0.28	0.18	0.09
t-test			***			**	

Notes: *** significant at 1%
** significant at 5%

Table 7a: Informal Loan Use by Membership Period

		Proportion of times informal loan used for					
MFI membership period	Number of households reporting transaction	Household food consumption	Agriculture	Business	Health and social	MFI loan repayment	Others
New (<5 yrs)	23	0.45	0.03	0.05	0.19	0.09	0.18
Old (>5 yrs)	23	0.38	0.07	0.03	0.15	0.28	0.09
t-test						***	

Notes: *** significant at 1%
** significant at 5%

Table 7b: Comparative Use of Informal Loan by Grameen Bank Households

		Proportion of times informal loan used for					
MFI category	Number of households reporting transaction	Household food consumption	Agriculture	Business	Health and social	MFI loan repayment	Others
GB	27	0.43	0.07	0.03	0.12	0.32	0.03
Non GB	22	0.42	0.07	0.04	0.14	0.14	0.19
t-test						**	

Notes: *** significant at 1%
** significant at 5%

Table 8a: Comparative Use of MFI Loan by Grameen Bank Households

		Proportion of MFI loans used for					
MFI category	Number of households reporting transaction	Household food consumption	Agriculture	Business	Health and social	MFI loan repayment	Others
GB	27	0.34	0.12	0.14	0.06	0.32	0.02
Non GB	22	0.32	0.15	0.26	0.08	0.15	0.04
t-test						***	

Notes: *** significant at 1%
** significant at 5%

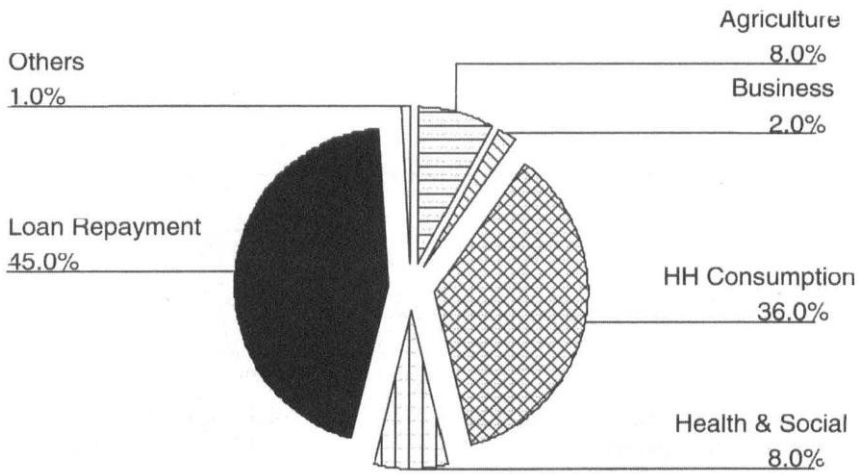
Table 8b: Informal Loan Use by Membership Period

		Proportion of MFI loans used for					
MFI type category	Number of households reporting transaction	Household food consumption	Agriculture	Business	Health and social	MFI loan repayment	Others
New (<5 yrs)	26	0.38	0.15	0.24	0.03	0.18	0.02
Old (>5 yrs)	23	0.32	0.08	0.12	0.06	0.38	0.04
t-test						**	

Notes: *** significant at 1%
** significant at 5%

Figure 1: Informal and MFI Loan Use by Target-Group MFI-member Households

Informal Loan Use by Target Group MFI HHs



MFI Loan Use by Target Group MFI HHs

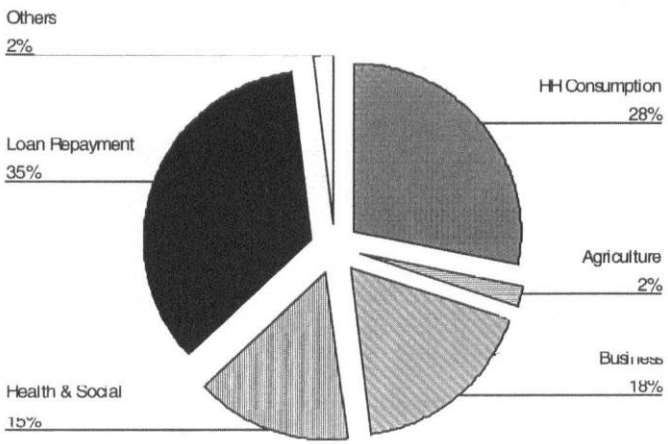
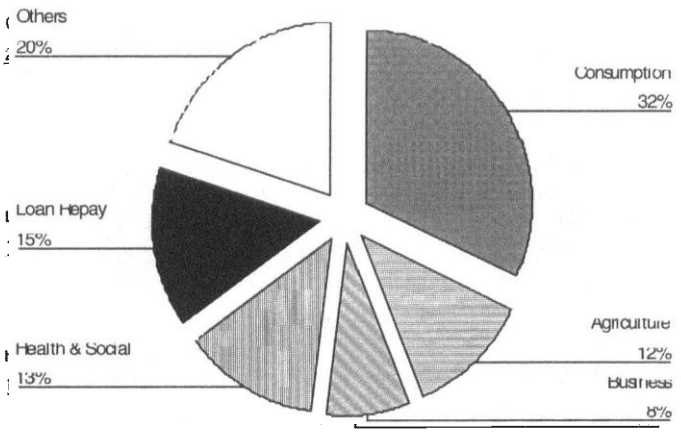
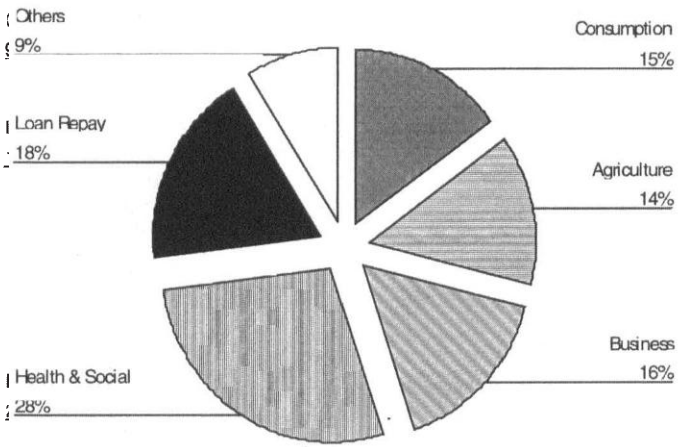


Figure 2: Informal and MFI Loan Use by Non Target-Group MFI-member Households

Informal Loan Use by Non Target Group MFI HHs



MFI Loan Use by Non Target Group MFI HHs



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